

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Brooks Township	County Newaygo
Audit Date 3/31/06	Opinion Date 6/5/06	Date Accountant Report Submitted to State: 6/15/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

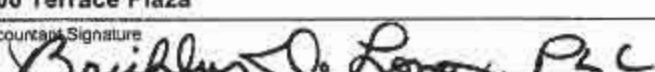
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements, (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Brickley DeLong PLC			
Street Address 500 Terrace Plaza	City Muskegon	State MI	ZIP 49443-0999
Accountant Signature 		Date 6/15/06	

Brooks Township
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2006

Brooks Township

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As management of Brooks Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Brooks Township for the fiscal year ended March 31, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

The Township's fund balance decreased by \$127,421 primarily due to an increase in road construction costs of approximately \$150,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Brooks Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of Brooks Township include general government, public works, and culture and recreation activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Brooks Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories-governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Brooks Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Improvement Revolving Fund and Budget Stabilization Fund, which are considered major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the Township's major funds.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Brooks Township for the last two years. Current assets and other assets decreased by \$47,749 due to an increase in expenses related to road projects. Current liabilities increased by \$108,323 due to one final bill due for the road projects noted above. As of March 31, 2006, the Township's net assets from governmental activities totaled \$1,909,664. Net assets decreased by \$166,792 primarily due to an increase in expenses related to road projects. The net assets are comprised of two parts, *Invested in Capital Assets* of \$1,137,840, which represent the net investment the Township has in fixed asset less accumulated depreciation. The balance of the net assets is unrestricted.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, office equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a fund balance of \$771,824. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets		
	Governmental Activities 2006	Governmental Activities 2005
Current assets and other assets	\$ 884,324	\$ 932,073
Capital assets	1,137,840	1,148,560
Total assets	2,022,164	2,080,633
Current liabilities	112,500	4,177
Net assets		
Invested in capital assets	1,137,840	1,148,560
Unrestricted	771,824	927,896
Total net assets	\$ 1,909,664	\$ 2,076,456

Governmental Activities

Governmental activities net assets decreased by \$166,792 during the 2006 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues were exceeded by its operating expenses, resulting in a decrease in net assets. Expenses related to public works increased by \$150,505. This increase was related to Thornapple Road mention earlier. Community and economic development increased by \$27,731 due to the addition of a part-time position and contract services related to the revision to zoning ordinances. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Revenues:		
Program revenues		
Charges for services	\$ 60,146	\$ 52,359
Operating grants	-	588
General revenues		
Property taxes	89,439	82,491
Franchise fees	19,264	14,806
Grants and contributions not restricted	257,530	252,183
Unrestricted investment earning	24,951	18,136
Miscellaneous	21,681	39,487
Total revenues	<u>473,011</u>	<u>460,050</u>
Expenses:		
General government	301,899	329,262
Public works	251,133	100,628
Community and economic development	84,206	56,475
Culture and recreation	2,565	752
Interest on long-term debt	-	884
Total expenses	<u>639,803</u>	<u>488,001</u>
Change in net assets	(166,792)	(27,951)
Net assets - Beginning	2,076,456	2,104,407
Net assets - Ending	\$ <u>1,909,664</u>	\$ <u>2,076,456</u>

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Brooks Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds.

The focus of Brooks Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, Brooks Township governmental funds reported a combined reserved and unreserved fund balance of \$771,824. This represents an overall decrease of \$156,072 in fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The decrease in the General Fund is due primarily the Thornapple Road project and the decrease in the improvement revolving fund is due to a transfer to the General Fund primarily to fund the revisions to the zoning ordinances. The Township Board has designated \$211,367 of the General Fund fund balance for various maintenance and capital outlay purposes. When the fund balance has been adjusted to account for these designations, the result is a final undesignated General Fund balance is \$252,797.

The other major funds are the Improvement Revolving Fund and the Budget Stabilization Fund. The Improvement Revolving fund transferred \$44,402 to the General Fund primarily to fund the revision to the zoning ordinance. These funds had no other expenditures during the year and the only revenue was investment earnings.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those are listed below:

- The planning commission budget was increased due to additional expenditures related to revisions to the zoning ordinances.
- Transfers in were increased primarily to cover the increase in costs associated with the revisions in the zoning ordinances above.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- The intergovernmental revenues – State revenues were over budget as the budgeted revenues anticipated a decrease in revenues by the State of Michigan that did not occur.
- Board expenditures came in under budget due to a reimbursement received for legal fees incurred.

- Supervisor expenditures were under budget due to a change of personnel in the position including the position being vacant for a short period of time.
- The treasurer expenditures came in under budget due to unused education items in the budget.
- Roads came in over budget due the final amended budget including only anticipated cash outflows during the period rather than actual expenditures incurred.
- The planning commission came in under budget primarily due to not completing all the anticipated revisions to the Township master plan.
- Capital outlay was under budget due to not purchasing the capital assets items anticipated in the amended budget.

Capital Assets

Brooks Township investment in capital assets for its governmental activities as of March 31, 2006 totaled \$1,137,840 (net of accumulated depreciation). The only changes in capital assets during the year were due to normal depreciation. This investment in capital assets includes land, buildings, land improvements, and office equipment.

**Capital Assets
(Net of Accumulated Depreciation)**

	Governmental Activities 2006	Governmental Activities 2005
Land	\$ 982,959	\$ 982,959
Buildings and improvements	142,472	146,951
Furniture and equipment	12,409	18,650
Total	<u>\$ 1,137,840</u>	<u>\$ 1,148,560</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

General Economic Overview

The Township's 2007 General Fund budget anticipates a decrease in fund balance of \$175,000. This budget includes \$100,000 in expenditures that were actually included in the fiscal 2006 actual numbers. It is likely that the budgeted expenditures will be amended for this amount.

The Township also has two years left on a three-year commitment for the reassessment of the Township. The remaining cost related to this commitment is \$15,000, which is expected to be incurred in fiscal year 2007.

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised approximately 76% of the General Fund revenue sources. In fiscal 2007, state revenue sharing is expected to remain flat and property tax revenues are expected to increase by approximately 3 to 4 percent.

Requests for Information

This financial report is designed to provide a general overview of the Brooks Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Brooks Township, P.O. Box 625, Newaygo, MI 49337, (231) 652-6763.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

June 5, 2006

Township Board
Brooks Township
Newaygo, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Brooks Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brooks Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brooks Township, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 19 - 21 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Brickley DeLong, PLLC

Brooks Township
STATEMENT OF NET ASSETS
March 31, 2006

ASSETS

	<u>Governmental activities</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,352
Investments	809,402
Receivables	7,775
Due from other governmental units	<u>64,795</u>
Total current assets	884,324
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	982,959
Depreciable	<u>154,881</u>
Total capital assets	<u>1,137,840</u>
Total assets	2,022,164
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Due from other governmental units	<u>112,500</u>
NET ASSETS	
Invested in capital assets	1,137,840
Unrestricted	<u>771,824</u>
Total net assets	<u><u>\$ 1,909,664</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2006

		Program Revenue	Net (Expense) Revenue and Changes in Net Assets
<i>Functions/Programs</i>	<u>Expenses</u>	<u>Charges for services</u>	<u>Governmental activities</u>
Governmental activities			
General government	\$ 301,899	\$ 57,611	\$ (244,288)
Public works	251,133	-	(251,133)
Community and economic development	84,206	2,535	(81,671)
Culture and recreation	<u>2,565</u>	<u>-</u>	<u>(2,565)</u>
Total	<u><u>\$ 639,803</u></u>	<u><u>\$ 60,146</u></u>	<u>(579,657)</u>
General revenues			
Property taxes, levied for general purposes			89,439
Franchise fees			19,264
Grants and contributions not restricted to specific programs			257,530
Unrestricted investment earnings			24,951
Miscellaneous			<u>21,681</u>
Total general revenues			<u>412,865</u>
Change in net assets			(166,792)
Net assets at April 1, 2005			<u>2,076,456</u>
Net assets at March 31, 2006			<u><u>\$ 1,909,664</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
BALANCE SHEET
Governmental Funds
March 31, 2006

	General Fund	Improvement Revolving	Budget Stabilization	Total governmental funds
ASSETS				
Cash and cash equivalents	\$ 2,352	\$ -	\$ -	\$ 2,352
Investments	501,742	189,385	118,275	809,402
Taxes receivable	7,775	-	-	7,775
Due from other governmental units	64,795	-	-	64,795
Total assets	<u>\$ 576,664</u>	<u>\$ 189,385</u>	<u>\$ 118,275</u>	<u>\$ 884,324</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other governmental units	\$ 112,500	\$ -	\$ -	\$ 112,500
Fund balances				
Reserved for capital projects	-	189,385	-	189,385
Unreserved				
Designated, reported in General Fund	211,367	-	-	211,367
Undesignated, reported in				
General Fund	252,797	-	-	252,797
Special revenue fund	-	-	118,275	118,275
Total fund balances	<u>464,164</u>	<u>189,385</u>	<u>118,275</u>	<u>771,824</u>
Total liabilities and fund balances	<u>\$ 576,664</u>	<u>\$ 189,385</u>	<u>\$ 118,275</u>	<u>\$ 884,324</u>

The accompanying notes are an integral part of this statement.

Brooks Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2006

Total fund balance—governmental funds	\$ 771,824
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,215,630	
Accumulated depreciation	<u>(77,790)</u>	<u>1,137,840</u>

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>1,909,664</u></u>
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The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended March 31, 2006

	General Fund	Improvement Revolving	Budget Stabilization	Total governmental funds
REVENUES				
Property taxes	\$ 89,439	\$ -	\$ -	\$ 89,439
Licenses and permits	22,915	-	-	22,915
Intergovernmental revenues - state	257,530	-	-	257,530
Charges for services	56,495	-	-	56,495
Investment earnings	9,200	12,029	3,722	24,951
Other	21,681	-	-	21,681
Total revenues	457,260	12,029	3,722	473,011
EXPENDITURES				
Current				
General government	288,903	-	-	288,903
Public works	251,133	-	-	251,133
Community and economic development	84,206	-	-	84,206
Culture and recreation	2,565	-	-	2,565
Capital outlay	2,276	-	-	2,276
Total expenditures	629,083	-	-	629,083
Excess of revenues over (under) expenditures	(171,823)	12,029	3,722	(156,072)
OTHER FINANCING SOURCES (USES)				
Transfers in	44,402	-	-	44,402
Transfers out	-	(44,402)	-	(44,402)
Total other financing sources (uses)	44,402	(44,402)	-	-
Net change in fund balances	(127,421)	(32,373)	3,722	(156,072)
Fund balances at April 1, 2005	591,585	221,758	114,553	927,896
Fund balances at March 31, 2006	\$ 464,164	\$ 189,385	\$ 118,275	\$ 771,824

The accompanying notes are an integral part of this statement.

Brooks Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2006

Net change in fund balances—total governmental funds: \$ (156,072)

Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement
of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (10,720)	
Capital outlay	<u>-</u>	<u>(10,720)</u>
Change in net assets of governmental activities		\$ <u><u>(166,792)</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Tax Collection Fund
March 31, 2006

	Tax Collection - <u>Agency Fund</u>
ASSETS	
Investments	\$ <u>217</u>
LIABILITIES	
Due to other governmental units	\$ <u>217</u>

The accompanying notes are an integral part of this statement.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Brooks Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a common law township governed by an elected five-member board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Improvement Revolving Fund is used to accumulate assets for infrastructure projects.

The Budget Stabilization Fund is used to accumulate assets to be used to provide resources to the General Fund when needed.

Additionally, the Township reports the following fund type:

The fiduciary fund accounts for assets held by the Township on behalf of others in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the Township totaled approximately \$105,547,000. The ad valorem taxes levied consisted of .8179 mills for the Township's operating purposes. This amount is recognized in the General Fund.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Land improvements	20
Furniture and equipment	5-10

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended March 31, 2006, actual expenditures exceeded appropriations for:

	Amended budget	Actual
General Fund		
Township hall	\$ 29,800	\$ 32,565
Roads	182,000	236,390
Other planning and zoning activities	42,645	43,403

These overexpenditures were funded with available fund balance.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE C—DEPOSITS AND INVESTMENTS

As of March 31, 2006, the Township had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money market mutual fund	\$ 45,114	1	not rated	15.5 %
U.S. Agency Bonds	<u>245,898</u>	<u>29</u>	Aaa	<u>84.5</u>
Total fair value	<u>\$ 291,012</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>25</u>		

Interest rate risk. The Township investments policy limits investment maturities to three years. This policy is used as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the Township's investments are in bonds issued by the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation. These investments are 53.6 percent and 36.6 percent, respectively, of the Township's investments.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, \$204,922 of the Township's bank balance of \$533,979 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 982,959	\$ -	\$ -	\$ 982,959
Capital assets, being depreciated:				
Land improvements	9,532	-	-	9,532
Buildings and improvements	169,107	-	-	169,107
Furniture and equipment	54,032	-	-	54,032
Total capital assets, being depreciated	232,671	-	-	232,671
Less accumulated depreciation:				
Land improvements	2,351	772	-	3,123
Buildings and improvements	29,337	3,707	-	33,044
Furniture and equipment	35,382	6,241	-	41,623
Total accumulated depreciation	67,070	10,720	-	77,790
Total capital assets, being depreciated, net	165,601	(10,720)	-	154,881
Capital assets, net	\$ 1,148,560	\$ (10,720)	\$ -	\$ 1,137,840

Depreciation

Depreciation expense was charged to the general governmental function.

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The Township transferred \$44,402 during the year ended March 31, 2006 to the General Fund from the Improvement Revolving Fund. This transfer was made primarily for zoning expenditures incurred during the year ended March 31, 2006.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE F—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risk by participating in the Michigan Township Participation Plan (MMTP), a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium to MMTP for its insurance coverage. The MMTP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Jointly Governed Entity

The Township is a member of the Chain of Lakes Area Utility Authority (Authority). The Township appoints two members to the Authority's governing board, which then approves the annual budget. The purpose of the Authority is to acquire, own, construct and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing six members. The participating communities are Brooks, Everett and Garfield townships. As of March 31, 2006, the Township had a receivable from the Authority of \$22,964. The Authority has outstanding debt of \$7,150,000. The aforementioned townships have guaranteed the debt of the Authority in the event that the Authority is unable to make the debt payments. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Brooks Township, 490 Quarterline, Newaygo, MI 49337.

NOTE G—PENSION PLAN

The Township provides pension benefits for all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2006, pension expenditures were approximately \$9,000 including certain fees.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2006

NOTE H—DESIGNATED FUND BALANCE

The following is a summary of the designated unreserved fund balance of the General Fund.

Road improvements	\$ 20,609
Parks repair and maintenance	53,241
Emergency	113,759
Building repair and maintenance	<u>23,758</u>
	<u>\$ 211,367</u>

NOTE I—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 56 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Brooks Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 90,765	\$ 90,765	\$ 89,439	\$ (1,326)
Licenses and permits	17,100	17,100	22,915	5,815
Intergovernmental revenues - state	230,500	230,500	257,530	27,030
Charges for services	50,600	50,600	56,495	5,895
Investment earnings	8,100	8,100	9,200	1,100
Other	21,600	21,600	21,681	81
Total revenues	418,665	418,665	457,260	38,595
EXPENDITURES				
Current				
General government				
Board	96,459	104,459	94,632	9,827
Supervisor	33,707	33,707	28,483	5,224
Elections	1,893	1,893	1,632	261
Board of Review	1,870	1,870	1,827	43
Clerk	53,788	53,788	50,382	3,406
Treasurer	46,283	46,283	39,025	7,258
Assessor	41,250	41,250	40,357	893
Township hall	29,800	29,800	32,565	(2,765)
Public works				
Infrastructure and projects	35,225	35,225	14,743	20,482
Roads	175,000	182,000	236,390	(54,390)
Community and economic development				
Planning commission	18,745	48,745	40,803	7,942
Other planning and zoning activities	42,645	42,645	43,403	(758)
Culture and recreation	5,000	5,000	2,565	2,435
Capital outlay	12,000	12,000	2,276	9,724
Total expenditures	593,665	638,665	629,083	9,582
Excess of revenues over (under) expenditures	(175,000)	(220,000)	(171,823)	48,177
OTHER FINANCING SOURCES				
Transfers in	-	45,000	44,402	(598)
Net change in fund balance	\$ (175,000)	\$ (175,000)	(127,421)	\$ 47,579
Fund balance at April 1, 2005			591,585	
Fund balance at March 31, 2006			\$ 464,164	

Brooks Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Improvement Revolving Fund
For the year ended March 31, 2006

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 5,000	\$ 5,000	\$ 12,029	\$ 7,029
EXPENDITURES	-	-	-	-
Excess of revenues over expenditures	5,000	5,000	12,029	7,029
OTHER FINANCING USES				
Transfers out	-	(45,000)	(44,402)	598
Net change in fund balance	\$ 5,000	\$ (40,000)	(32,373)	\$ 7,627
Fund balance at April 1, 2005			221,758	
Fund balance at March 31, 2006			\$ 189,385	

Brooks Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Budget Stabilization Fund
For the year ended March 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u></u>
REVENUES				
Investment earnings	\$ 1,500	\$ 1,500	\$ 3,722	\$ 2,222
EXPENDITURES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>1,500</u>	\$ <u>1,500</u>	3,722	\$ <u>2,222</u>
Fund balance at April 1, 2005			<u>114,553</u>	
Fund balance at March 31, 2006			\$ <u>118,275</u>	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 5, 2006

Township Board
Brooks Township
Newaygo, Michigan

In planning and performing our audit of the financial statements of Brooks Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Brooks Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of the reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Township Board, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

REPORTABLE CONDITIONS

Recommendation 1: All investments should comply with the Township's investment policy.

During our testing, we noted several investments that did not comply with the Township's investment policy.

All investments should be reviewed for compliance with the Township's investment policy prior to purchase.

Recommendation 2: Budgetary policies and procedures should be improved.

During the current audit, we noted three budget violations in the Township's budget. The largest budget violation was due to a budgeting error related to the timing of expenditure. The expenditure was incurred and recorded in fiscal year 2006. The expenditure was budgeted when the expenditure was expected to be paid rather than when it was incurred.

The budgeting procedures and internal control surrounding this function should be improved. The budget should be amended prior to incurring additional expenditures.

We consider the following reportable condition contained in our May 16, 2006 letter as still applicable:

Recommendation 3: The accounts payable detailed trial balance should be reconciled with the general ledger on a monthly basis.